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INFO RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS CAIRO 000899

SIPDIS
SENSITIVE

STATE FOR NEA/ELA
STATE PLEASE PASS TO USTR MOWREY/FRANCESKI
COMMERCE FOR TOM SAMS AND NATE MASON
TREASURY FOR FRANCISCO PARODI AND BRYAN BALIN

E.O. 12958: N/A
TAGS: [ECON](#) [EINV](#) [EFIN](#) [ETRD](#) [PGOV](#) [EG](#)
SUBJECT: Egypt to Maintain Higher Export Subsidies Through
Mid-Year

¶1. (SBU) On May 18, we met with Mohamed Ragui, Executive Director of Egypt's Export Development Fund. Ragui confirmed that, in response to the economic crisis, the GOE had raised the Fund's export subsidy rates by 50% from December 2008 through June 2009. He added that the budget allocation for the Fund had not been increased.

¶2. (SBU) According to Ragui, in fiscal 2008/09 (July-June), the budget for the fund was LE2 Billion (US\$350 million), and that he expected, despite significant opposition in parliament, that the allocation would increase in the 2009/10 budget currently under discussion in parliament. Though he was unclear as to the amount of the increase, he speculated that it would be 10-15%.

¶3. (SBU) When asked about WTO compliance, Ragui told us that Egypt is exempt from certain WTO prohibitions on subsidies because of the low-level of its per-capita GDP. He cited paragraph 10.1 of the Doha Ministerial which exempts countries with per capita GNP of less than \$1000 (1990 dollars) from export subsidy prohibitions until they have reached the \$1000 threshold for three consecutive years.

¶4. (SBU) According to Ragui, 1657 export companies are beneficiaries of the export subsidies including large companies like Oriental Weavers and Nestle. Such subsidies were justified, Ragui said, because these companies generated new investment and new jobs.

¶5. (SBU) Ragui told us that even within product class the subsidy levels were variable. "Rebates" to exporting companies vary according to export market and are lower for products produced in free zones and those produced with imported materials. The list of base subsidy levels, industries, and phase-out periods is translated below. Note that the percentages listed here refer to a percentage of the final value of the exported products and do not include the temporary 50% increase in the rates.

Export	Beginning	Ending	Support (BASE)
Agricultural Products	1/08	12/13	10% for 3 years 8%, 6%, 4% years 4-8 (additional subsidies for refrigerated and air shipments)
TEXTILES			
RMG	4/07	3/13	4-10% for 3 years, 1% reduction each subsequent year
Home Textiles	1/07	12/12	3-10% for 3 years, 1% reduction each subsequent year
Spinning/Weaving	1/07	12/12	3-8% for 3 years, 1% reduction each subsequent year

RMG accessories	1/07	12/11	2%
Food Industries	1/08	12/13	10% for 3 years 8%,6%,4% years 4-8
Furniture	1/07	8/13	10% for 3 years, then declines 1% per year each subsequent year
Engineering Industries	1/08	12/13	10% for 3 years declines 1% per year each subsequent year
Medical Equipment	7/07	6/12	10% for first year 9%,8%,7%,6% years 2-5
Beauty Products	9/07	8/12	8%
Detergents/Soap	9/07	8/10	8%
Glass Containers	1/08	12/12	10% for first year 8%,6%,4%,2% years 2-5
Packaging Material	9/07	8/12	10% for first year declines by 1% in subsequent years
Insulation	1/08	12/12	10% for first year 8%,6%,4%,2% years 2-5
Leather (raw)	9/07	8/12	10% for first year 8%,6%,4%,2% years 2-5
Leather (finished goods)	9/07	8/12	10%
Marble	6/07	6/12	10% for first 3 years declines by 2% in subsequent years

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